

## Message Text

CONFIDENTIAL

PAGE 01     PRETOR 03630 01 OF 04 231116Z

ACTION AF-10

INFO OCT-01 EUR-12 IO-13 ISO-00 DHA-02 SSO-00 NSCE-00

USIE-00 INRE-00 CIAE-00 DODE-00 PM-05 H-01 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

EB-07 OMB-01 TRSE-00 AID-05 COME-00 /091 W

-----051275 231142Z /10

O R 230910Z JUL 77

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC IMMEDIATE 8160

INFO AMCONSUL CAPE TOWN

AMEMBASSY DAR ES SALAAM

AMCONSUL DURBAN

AMEMBASSY GABORONE

AMCONSUL JOHANNESBURG

AMEMBASSY LONDON

AMEMBASSY LUSAKA

AMEMBASSY MAPUTO

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C O N F I D E N T I A L SECTION 1 OF 4 PRETORIA 3630

E.O. 11652: GDS

TAGS: PFOR SF RH WA

SUBJ: ASSESSMENT OF SAG ATTITUDES

REF: PRETORIA 3613

SUMMARY: RHODESIA CONTINUES TO BE AREA OF MOST IMMEDIATE  
SAG CONCERN. SAG WANTS A PEACEFUL SETTLEMENT AS BEST  
WAY TO GET A MODERATE BLACK GOVERNMENT ON ITS NORTHERN  
FRONTIER, BUT IT IS STILL UNWILLING TO EXERT PRESSURE  
TO MOVE SMITH IN THAT DIRECTION. IT IS WORKING TO  
SHORE UP SMITH IN HOPE HE CAN WORK OUT SOME KIND OF  
INTERNAL SETTLEMENT WITH MUZOREWA AND SITHOLE. SAG  
REMAINS SKEPTICAL THAT FIVE POWERS WILL BE ABLE  
TO PERSUADE SWAPO AND UN TO ACCEPT PROPOSALS WORKED  
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PAGE 02     PRETOR 03630 01 OF 04 231116Z

OUT IN CAPE TOWN TALKS. WHILE IT WAITS, IT IS  
PRESSING IMPLEMENTATION OF SERIES OF MEASURES  
CONTEMPLATED UNDER ORIGINAL TURNHALLE FORMULA.  
THESE CAN BE USED TO STRENGTHEN THE TURNHALLE FORCES'  
CHANCES OF WINNING CONTROL UNDER UN SUPERVISED ELECTIONS  
IF FIVE POWER INITIATIVE SUCCEEDS BUT ALSO TO CONTINUE  
WITH ORIGINAL INTERNAL SOLUTION SHOULD IT FALTER.

SAG IS GROWING IMPATIENT WITH DELAY IN GETTING SWAPO AND UN TO RESPOND TO CAPE TOWN PROPOSALS. IT IS DEEPLY SUSPICIOUS THAT FIVE POWERS WILL ENGAGE IN SALAMI TACTICS TO EXTRACT MORE CONCESSIONS. THERE IS SOME GIVE IN SAG POSITION BUT PROBABLY NOT ENOUGH TO ACCOMMODATE WHAT SWAPO NOW WANTS ON UN ADMINISTRATION OF NAMIBIA DURING INTERIM PERIOD AND TROOP WITHDRAWAL. ON DOMESTIC FRONT LEVEL OF SAG ANXIETY IS INCREASING BUT THERE ARE NO SIGNS OF ANY SIGNIFICANT SHIFT AWAY FROM APARTHEID/SEPARATE DEVELOPMENT AND TOWARD POWER-SHARING. AS THE GOVERNMENT EXPANDS SECURITY MEASURES AND STEPS UP THE CAMPAIGN AGAINST BLACK CONSCIOUSNESS LEADERS, POLARIZATION OF BLACK ATTITUDES DEEPENS. IN THE FACE OF OVERWHELMING WHITE FORCE, THE BLACK YOUTH MOVEMENT IS AVOIDING FRONTAL CONFRONTATION AND SHIFTING TO MORE INDIRECT FORMS OF PRESSURING THE GOVERNMENT. SAG DOES NOT REGARD INTERNAL OR EXTERNAL PRESSURES AS SUFFICIENT TO CONSIDER MAJOR DEPARTURES FROM EXISTING POLICY. END SUMMARY.

1. FOLLOWING IS ASSESSMENT OF CURRENT SAG ATTITUDES ON RHODESIA, NAMIBIA, AND INTERNAL FRONT:

RHODESIA

2. RHODESIA CONTINUES TO BE THE AREA OF MOST IMMEDIATE  
CONFIDENTIAL

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PAGE 03     PRETOR 03630 01 OF 04 231116Z

SAG CONCERN. SAG WANTS A PEACEFUL SETTLEMENT AS THE BEST WAY TO GET A MODERATE BLACK GOVERNMENT ON ITS NORTHERN FRONTIER, BUT IT IS STILL UNWILLING TO EXERT PRESSURE TO MOVE SMITH IN THAT DIRECTION. THIS IS IN PART DUE TO DOMESTIC CONSIDERATIONS BUT ALSO BECAUSE IT IS NOT CONVINCED THAT THE PRESENT LEVELS OF GUERRILLA ACTIVITY PRESENT THAT IMMINENT A THREAT TO SMITH. THE SAG IS AWARE OF THE DANGERS OF BEING SUCKED INTO MORE VISIBLE INVOLVEMENT IN RHODESIA IF THE FIGHTING ESCALATES--AND IS INCREASINGLY CONCERNED ABOUT THAT POSSIBILITY--BUT ALSO VIEWS THIS RISK AS STILL SOME DISTANCE DOWN THE ROAD.

3. THE SAG, WE BELIEVE, WAS CAUGHT OFF GUARD BY SMITH'S DECISION TO DISSOLVE THE PARLIAMENT AND TO CALL FOR GENERAL ELECTIONS. THE HIGHLY CRITICAL TONE OF HIS JULY 19 SPEECH AGAINST BRITISH PEACE EFFORTS WORRIED THE SAG. THEY FEARED THAT SMITH MIGHT MAKE PUBLIC STATEMENTS FORECLOSING CONTINUED PARTICIPATION IN PEACE TALKS OR WITHDRAWING PREVIOUS CONCESSIONS. WHILE VORSTER AND BOTHA DO NOT THINK THAT AGREEMENT, SHORT OF CAPITULATION, WITH MUGABE AND

NKOMO IS POSSIBLE, THEY DO NOT WANT THE NEGOTIATING  
OPTION TO BE TOSSED AWAY. HENCE, THE HURRIED TRIP  
BY BOTHA TO SALISBURY TO MAKE SURE THAT SMITH STAYS  
ON THE NEGOTIATING TRACK.

4. THE TRIP ALSO SERVED ANOTHER SAG OBJECTIVE:  
TO SHORE UP SMITH'S SAGGING PRESTIGE. THE SAG DOES  
NOT SEE ANY OTHER LEADER CAPABLE OF ACHIEVING THE  
DEGREE OF SUPPORT SMITH ENJOYS IN THE WHITE COM-  
MUNITY. THEY REGARD A VICTORY OF THE EXTREME  
RIGHT OR A DIVIDED GOVERNMENT AS MAKING A  
NEGOTIATED SOLUTION IMPROBABLE, IF NOT IMPOSSIBLE.  
WHILE THEY MAY NOT ENTIRELY TRUST SMITH, IN THEIR  
VIEW HE REMAINS THE BEST BET.  
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PAGE 04     PRETOR 03630 01 OF 04 231116Z

5. AS VORSTER AND BOTHA HAVE SAID ON VARIOUS  
OCCASIONS, THEY DO NOT THINK A MODERATE, NEGOTIATED  
SOLUTION WITH MUGABE AND NKOMO IS POSSIBLE. THEY  
DO NOT REGARD THE PATRIOTIC FRONT AS A STABLE ARRANGE-  
MENT. THEY ARE CONVINCED THAT NEITHER LEADER HAS  
MUCH FOLLOWING INSIDE RHODESIA. BECAUSE OF THIS,  
THEY BELIEVE MUGABE AND NKOMO WILL INSIST ON TERMS  
TANTAMOUNT TO CAPITULATION AND, FAILING TO ACHIEVE IT,  
PREFER TO CONTINUE THE GUERRILLA STRUGGLE CONVINCED  
THAT TIME IS ON THEIR SIDE.

CONFIDENTIAL

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PAGE 01     PRETOR 03630 02 OF 04 231126Z  
ACTION AF-10

INFO OCT-01 EUR-12 IO-13 ISO-00 DHA-02 SSO-00 NSCE-00  
INRE-00 USIE-00 CIAE-00 DODE-00 PM-05 H-01 INR-07  
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15  
EB-07 OMB-01 TRSE-00 AID-05 COME-00 /091 W  
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FM AMEMBASSY PRETORIA  
TO SECSTATE WASHDC IMMEDIATE 8161  
INFO AMCONSUL CAPE TOWN

AMEMBASSY DAR ES SALAAM  
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C O N F I D E N T I A L SECTION 2 OF 4 PRETORIA 3630

6. BOTHA WAS PROBABLY TELLING ME HALF THE TRUTH WHEN HE MAINTAINED THAT THE AUGUST 31 GENERAL ELECTIONS ARE DESIGNED TO RESTORE SMITH TO HIS POSITION OF UNCHALLENGED LEADERSHIP AMONG WHITES AND WAS NOT RELATED TO THE INTERNAL SOLUTION OUTLINED BY SMITH IN HIS JULY 19 SPEECH. SINCE THE COLLAPSE OF THE GENEVA TALKS, THE SAG HAS BEEN CONVINCED THAT UNTIL THE BLACK NATIONALIST LEADERSHIP QUESTION IS CLARIFIED, THERE CAN BE NO NEGOTIATED SETTLEMENT. IN LINE WITH THIS ASSESSMENT, THEY HAVE HELD TO THE JUDGMENT THAT A BLACK REFERENDUM SHOULD BE CONDUCTED TO LET RHODESIAN BLACKS DECIDE WHO SHOULD REPRESENT THEM. BOTHA RETURNED TO THIS THEME WEDNESDAY NIGHT, REFERRING VAGUELY TO INTERNATIONAL SUPERVISION TO INSURE IMPARTIALITY. HE DOES NOT FACE UP TO THE PROBLEMS  
CONFIDENTIAL

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PAGE 02     PRETOR 03630 02 OF 04 231126Z

OF IMPLEMENTATION AND ACCEPTABILITY WHILE SMITH IS STILL IN CONTROL AND THE PATRIOTIC FRONT REFUSES TO GO ALONG. HE DISMISSES THESE DIFFICULTIES BY SAYING THAT IF HMG AND USG WOULD ONLY ACCEPT THE REALITIES INSTEAD OF PURSUING ILLUSIONS, NOBLE AS THEY MAY BE, THEY WOULD SEE THAT IT IS THE ONLY WAY OUT OF THE DILEMMA. WE HAVE TO ASSUME THAT THE SAG WILL TRY TO PERSUADE MUZOREWA AND SITHOLE TO ACCEPT AN INTERNAL SETTLEMENT BUT IT IS DOUBTFUL THAT SMITH WOULD MAKE THE CONCESSIONS NECESSARY TO WIN THEIR SUPPORT AND MAINTAIN THEIR CREDIBILITY AS INDEPENDENT BLACK LEADERS.

7. IN SUM, THE SAG IS INCREASINGLY CONCERNED OVER THE COURSE OF EVENTS IN RHODESIA. THEY WANT A NEGOTIATED SOLUTION BUT ARE STILL UNWILLING TO USE THEIR MUSCLE TO HELP ACHIEVE IT. THEY ARE SHORING UP A WEAKENED SMITH AS A PRACTICAL, SHORT-TERM MEASURE WHILE THEY AWAIT EVENTS. IN CHARACTERISTIC VORSTER STYLE, THEY ARE NOT OUT AHEAD TRYING TO SHAPE EVENTS, BUT REMAIN IN THE LEE OF DEVELOPMENTS HOPING THAT SOMEHOW THINGS WILL WORK OUT THROUGH SOME

CHANGE IN CIRCUMSTANCE (E.G., FALL OF THE LABOR GOVERNMENT, BREAK-UP OF THE PATRIOTIC FRONT, OR FLAGRANT COMMUNIST INTERVENTION THAT WOULD CHANGE WESTERN ATTITUDES).

NAMIBIA

9. IN THE CAPE TOWN TALKS THE SAG DISPLAYED AN UNEXPECTED WILLINGNESS TO SIDETRACK THE ORIGINAL TURNHALLE PLAN AND COOPERATE WITH THE FIVE POWERS IN TRYING TO FIND AN INTERNATIONALLY ACCEPTABLE SOLUTION. AT THE SAME TIME THERE WAS AN UNDERLYING CONFIDENTIAL

CONFIDENTIAL

PAGE 03     PRETOR 03630 02 OF 04 231126Z

SKEPTICISM THAT UN AND SWAPO ACCEPTANCE OF THE PROPOSALS COULD BE OBTAINED. THIS SKEPTICISM SHOWED ITSELF IN THE SPEED WITH WHICH THEY WANTED TO MOVE AHEAD WITH ELECTIONS, THE INSISTENCE ON COMPLETING THE ETHNIC GROUP LEVEL OF GOVERNMENT IN NAMIBIA, AND THE UNWILLINGNESS TO MAKE COMMITMENTS ON CERTAIN ISSUES UNTIL UN AND SWAPO ATTITUDES WERE ESTABLISHED. AS A RESULT IT BECAME APPARENT THAT THE SAG INTENDED TO PURSUE ITS OBJECTIVES FOLLOWING TWO PARALLEL TRACKS; COOPERATION WITH THE WESTERN INITIATIVE (THE NEGOTIATING TRACK), AND SIMULTANEOUS PREPARATION FOR INDEPENDENCE BASED ON ELEMENTS OF THE TURNHALLE FORMULA (THE INTERNAL TRACK). THE DUAL APPROACH ALLOWS THE SAG TO CONTINUE TO DEVELOP TURNHALLE MECHANISMS TO COMPETE WITH SWAPO IN ELECTIONS UNDER THE WESTERN INITIATIVE SHOULD IT SUCCEED, OR TO SERVE AS THE VEHICLE FOR AN INTERNAL SOLUTION IF IT DOES NOT.

9. IT IS QUITE CLEAR THAT THE SAG, CONSONANT WITH ITS SKEPTICISM TOWARD THE NEGOTIATING TRACK, IS MOVING RESOLUTELY ALONG THE INTERNAL TRACK. IT PASSED THE ENABLING LEGISLATION FOR THE ADMINISTRATOR-GENERAL AND NAMED THE PERSON TO FILL THE POST. NOW IT IS PRESSING TO FORMALLY ESTABLISH THE OFFICE AND DEFINE THE FUNCTIONS. POLITICAL COUNSELLOR TAYLOR WHO HAS JUST RETURNED FROM A TOUR OF NAMIBIA, REPORTS SIGNIFICANT ACTIVITY BY THE SAG TO CONSOLIDATE THE TURNHALLE POSITION. FOR EXAMPLE, THE PROGRAM TO ESTABLISH BLACK MILITARY FORCES ON AN ETHNIC BASIS IS BEING PRESSED. THE SWA MILITARY COMMAND REVEALED THIS WEEK THAT EACH OF THE ETHNIC REGIONS WILL EVENTUALLY HAVE ITS OWN MILITARY FORCE COMPARABLE TO THE OVAMBO BATTALION NOW IN FORMATION. THOSE STARTING TO RECRUIT AND TRAIN ARE THE KAVANGO, CAPRIVI HEREROS AND NAMAS. ONE CONFIDENTIAL

CONFIDENTIAL

PAGE 04     PRETOR 03630 02 OF 04 231126Z

CAN ANTICIPATE THAT THESE FORCES WILL BE CLOSELY  
TIED TO THE LOCAL TURNHALLE LEADERS. THE TURNHALLE  
DELEGATIONS HAVE REACHED AGREEMENT ON THE ESTABLISH-  
MENT OF A TURNHALLE NATIONAL FRONT (TNF) TO CONTEST  
ANY ELECTIONS WITH SWAPO UNDER THE FIVE POWER  
FORMULA OR TO SERVE AS THE VEHICLE FOR MOVING TOWARD  
INDEPENDENCE VIA THE INTERNAL TRACK. DIRK MUDGE AT  
CONCLUSION OF TURNHALLE MEETING JULY 22 ANNOUNCED  
A SPECIFIC PLAN FOR CONDUCTING ELECTIONS TO A  
CONSTITUENT ASSEMBLY AND SAID THESE WOULD BE  
SUBMITTED TO JUDGE STEYN. NO TIME IS BEING LOST IN  
COMPLETING THE SO-CALLED "SECOND TIER" OF GOVERNMENT  
AS CALLED FOR IN THE TURNHALLE DRAFT CONSTITUTION.

CONFIDENTIAL

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PAGE 01     PRETOR 03630 03 OF 04 231139Z  
ACTION AF-10

INFO OCT-01 EUR-12 IO-13 ISO-00 DHA-02 SSO-00 NSCE-00  
INRE-00 USIE-00 CIAE-00 DODE-00 PM-05 H-01 INR-07  
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15  
EB-07 OMB-01 TRSE-00 AID-05 COME-00 /091 W  
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O R 230910Z JUL 77  
FM AMEMBASSY PRETORIA  
TO SECSTATE WASHDC IMMEDIATE 8162  
INFO AMCONSUL CAPE TOWN  
AMEMBASSY DAR ES SALAAM  
AMCONSUL DURBAN  
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AMCONSUL JOHANNESBURG  
AMEMBASSY LONDON  
AMEMBASSY LUSAKA  
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C O N F I D E N T I A L SECTION 3 OF 4 PRETORIA 3630

NOMINATED MEMBERS OF THE NAMA COUNCIL WERE  
INSTALLED ON JULY 9; THE DAMARA COUNCIL WILL COME

INTO OFFICE AT THE END OF JULY; AND THE SAG HAS ANNOUNCED ELECTIONS TO THE NEW REBOBOTH VOLKSRAAD ON SEPTEMBER 19.

10. WHILE IT ADVANCES ALONG THE DUAL-PURPOSE INTERNAL TRACK, THE SAG CAN AFFORD TO WAIT A WHILE LONGER TO SEE IF THE FIVE POWERS CAN PERSUADE SWAPO AND THE UN TO DISCUSS THE CAPE TOWN PROPOSALS. HOW LONG IT WILL BE WILLING TO DO THIS WE DO NOT KNOW. THERE ARE ALREADY SIGNS OF INCREASING IMPATIENCE AS REFLECTED IN BOTHA AND FOURIE'S REACTION TO THE JULY 14 TALKING POINTS. WE SHOULD GET A BETTER IDEA OF SAG INTENTIONS WHEN THE FIVE AMBASSADORS SEE  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02     PRETOR 03630 03 OF 04 231139Z

PRIME MINISTER VORSTER ON JULY 29. MEANWHILE OUR TENTATIVE ESTIMATE IS THAT THE LEVEL OF TOLERANCE IS PROBABLY ON THE LOWER SIDE OF THE SCALE THAN THE HIGHER BECAUSE THE SAG WANTS TO MEET THE DECEMBER 31, 1978 TARGET FOR INDEPENDENCE:  
--WHILE TURMOIL IN ANGOLA STILL SERVES TO LIMIT PRESSURES FROM THAT QUARTER,  
--BEFORE SWAPO HAS TIME TO (A) SECURE MORE EXTERNAL ASSISTANCE, (B) ORGANIZE MORE CONCERTED GUERRILLA ACTIVITY, AND (C) PREPARE FOR PARTICIPATION IN OR DISRUPTION OF THE ELECTORAL PROCESS,  
--WHILE THE TURNHALLE GROUP IS STILL FUNCTIONING UNDER SAG TUTELAGE AND ITS LEADERS PERCEIVE AN INTEREST IN WORKING TOGETHER TO ASSURE THEIR OWN POLITICAL FUTURE,  
--BEFORE SOUTH AFRICA'S OWN DOMESTIC POLITICAL AND ECONOMIC DIFFICULTIES BECOME MORE CRITICAL.  
VORSTER'S STRONG AVERSION TO SWAPO AND THE UN ARE ADDITIONAL FACTORS LOWERING SAG'S LEVEL OF TOLERANCE.

1. THE NATURE OF SWAPO DEMANDS REGARDING THE ADMINISTRATOR-GENERAL AND THE WITHDRAWAL OF SOUTH AFRICAN TROOPS WILL ALSO HAVE AN IMPORTANT BEARING ON THE SAG'S WILLINGNESS TO PURSUE THE DIPLOMATIC TRACK. THE SAG IS DEEPLY SUSPICIOUS THAT THE FIVE WILL USE SALAMI TACTICS TO EXTRACT MORE CONCESSIONS WITHOUT APPLYING EQUAL PRESSURE ON SWAPO. THERE MAY BE SOME GIVE IN SAG POSITION ON BOTH POINTS BUT NOT TO THE DEGREE THAT SWAPO NOW WANTS. WE DO NOT BELIEVE THAT VORSTER WILL ACCEPT THE PRIMACY OF THE UN IN NAMIBIA NOR WILL HE AGREE TO WITHDRAWAL OF TROOPS IN ADVANCE OF INDEPENDENCE. WE CANNOT SEE  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03     PRETOR 03630 03 OF 04 231139Z

HIM ACCEPTING A UN PEACE-KEEPING FORCE. A COMPROMISE INVOLVING MAINTAINING SAG FORCES RESTRICTED TO THEIR BASES, SWAPO AGREEING TO CEASE GUERRILLA OPERATIONS, AND THREE-MEN-IN-THE JEEP PATROLS MENTIONED IN USUN 2330 MIGHT BE POSSIBLE TO WORK OUT.

12. IN ANY EVENT TIME IS OF THE ESSENCE. DELAY IN BRINGING SWAPO AND THE UN TO THE NEGOTIATING TABLE HEIGHTENS THE RISK THAT THE SAG WILL ABANDON THE NEGOTIATING TRACK. THIS IS A CASE WHERE THE SPEED WITH WHICH THE PARTIES CAN BE BROUGHT TO THE CONFERENCE TABLE BECOMES ALMOST AS IMPORTANT AS THE TEMS OF SETTLEMENT.

THE INTERNAL FRONT

13. DOMESTICALLY, THE SAG SHOWS NO INCLINATION TO MAKE THE KIND OF CHANGE URGED BY VICE PRESIDENT MONDALE AT VIENNA. TO THE CONTRARY, IT IS ATTEMPTING TO DEMONSTRATE THAT THE VICE PRESIDENT'S COUNSEL WAS ILL-CONCEIVED AND IN FACT DESTRUCTIVE OF OUR MUTUAL INTERESTS. NEVERTHELESS, IN THE TWO MONTHS SINCE THE VIENNA MEETING, PUBLIC DEBATE BETWEEN NATIONAL PARTY FIGURES OVER ADAPTATIONS TO APARTHEID HAS INTENSIFIED. THIS DEBATE, FEATURING PIET KOORNHOOF'S SUGGESTION OF A CANTON SYSTEM, HENDRIK SCHOEMAN'S AND PIK BOTHA'S QUESTIONING OF THE NECESSITY OF THE IMMORALITY ACT, AND CONNIE MULDER'S SUGGESTION OF "RADICAL CHANGES" IN THE POLITICAL STRUCTURE, IS SYMPTOMATIC OF MOUNTING DOUBTS OVER VORSTER'S STAND PAT POLICIES. THE FACT THAT IT IS TAKING PLACE NOW, WHEN EXTERNAL AND INTERNAL PRESSURES ARE INCREASING, IS A SIGN THAT THOSE PRESSURES ARE HAVING SOME IMPACT. WHEN EVEN THE STRICTLY VERKRAMPTE AFRIKAANSE STUDENTEBOND TAKE THE SAG TO TASK FOR NOT PROVIDING A COHERENT VISION OF THE FUTURE, IT IS CLEAR THAT AFRIKANERDOM IS NO LONGER AS UNITED

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PAGE 04     PRETOR 03630 03 OF 04 231139Z

AS IT ONCE WAS NOR AS CERTAIN OF WHERE IT IS GOING.

14. WHILE THIS FERMENT IS A HEALTHY SIGN AND WELCOME, WE DO NOT SEE IT LEADING TO FUNDAMENTAL CHANGES IN GRAND APARTHEID IN THE SHORT TERM. THE SAG HAS PROPOSALS UNDER CONSIDERATION FOR GIVING COLOREDS AND INDIANS A MEASURE OF CONTROL OVER CERTAIN SPECIFIED AREAS OF THEIR AFFAIRS, BUT AT BEST THIS WILL INVOLVE



THE MOST LIMITED MEASURE OF POWER-SHARING (SEE PRETORIA 3418 AND 3425). NO CHANGES IN THE STATUS OF BLACKS IS BEING CONTEMPLATED OTHER THAN TO ALLOW A GREATER MEASURE OF SELF-RULE IN URBAN AREAS AND TO IMPROVE LIVING CONDITIONS.

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PAGE 01     PRETOR 03630 04 OF 04 231151Z  
ACTION AF-10

INFO OCT-01 EUR-12 IO-13 ISO-00 DHA-02 SSO-00 NSCE-00  
INRE-00 USIE-00 CIAE-00 DODE-00 PM-05 H-01 INR-07  
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15  
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AMEMBASSY LONDON  
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AMEMBASSY MAPUTO  
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C O N F I D E N T I A L SECTION 4 OF 4 PRETORIA 3630

15. AT THE SAME TIME THE SAG CONTINUES TO TIGHTEN SECURITY MEASURES AND STEP UP THE CAMPAIGN AGAINST BLACK CONSCIOUSNESS LEADERS. IN THE FACE OF OVERWHELMING FORCE, AS DISPLAYED DURING THE SOWETO RIOTS ANNIVERSARY, BLACKS ARE AVOIDING DIRECT CONFRONTATION IN FAVOR OF MORE INDIRECT FORMS OF PRESSURE AGAINST SPECIFIC TARGETS OF BANTU ADMINISTRATION, E.G., IN SOWETO COMPELLING URBAN BANTU COUNCIL AND ETHNICALLY BASED SCHOOL BOARDS TO RESIGN. THIS STRATEGY IS STILL IN THE BEGINNING STAGES AND HAS HAD LITTLE IMPACT OUTSIDE SOWETO. MEANWHILE, LIFE FOR THE OVERWHELMING MAJORITY OF WHITES GOES ON IN ITS USUAL PLEASANT FASHION AND THE THREAT SEEMS DISTANT. BUT THE PROCESS OF POLARIZATION IS STEADILY DEEPENING.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02     PRETOR 03630 04 OF 04 231151Z

16. ECONOMIC FACTORS IMPACT ON THE POLITICAL CLIMATE WITH MIXED EFFECTS. ON THE ONE HAND, THE SOUTH AFRICAN ECONOMY IS AT ITS LOWEST POINT IN MANY YEARS WITH IDLE PRODUCTION CAPACITY, BANKRUPTCIES, RETAIL, WHOLESALE AND CONSTRUCTION BUSINESS AT LOW EBB, BLACK UNEMPLOYMENT ESTIMATED AT OVER 15 PERCENT, INFLATION REMAINING AT STUBBORNLY HIGH LEVEL, AND BUSINESS CONFIDENCE STILL DETERIORATING. THE UNPRECEDENTED SEVERITY OF THE RECESSION IS A POTENTIAL THREAT TO POLITICAL STABILITY BECAUSE OF GROWING UNEMPLOYMENT AMONG BLACKS ALREADY LIVING ON THE EDGE OF POVERTY, THE LACK OF ANY FUTURE FOR RESTIVE BLACK YOUTH, AND THE GOVERNMENT'S FAILURE TO ALLOCATE ENOUGH RESOURCES TO MOUNT ANY REAL ACTION TO DEAL WITH IMMEDIATE GRIEVANCES OF LIVING CONDITIONS, TRANSPORT AND EDUCATION. YET THOSE WHO ARE SUFFERING HAVE NOT TAKEN TO THE STREETS IN PROTEST.

17. ON THE OTHER HAND CERTAIN KEY SECTORS, PARTICULARLY MINING, AGRICULTURE, AND INDUSTRIES DEPENDENT ON MINING, ARE HOLDING UP. BRIGHT FEATURE IS SUCCESS OF GOVERNMENT IN ACHIEVING MASSIVE TURNAROUND IN CURRENT ACCOUNT OF BALANCE OF PAYMENTS. JUDGING FROM FAVORABLE TRADE RESULTS JUST ANNOUNCED, THE FIRST SIX-MONTH CURRENT ACCOUNT SURPLUS IN FOUR YEARS IS NOW LIKELY. NEVERTHELESS, NET RESERVES ARE STILL VERY WEAK (MINUS \$800 MILLION). CENTRAL BANKERS AND GOVERNMENT LEADERS ARE RESISTING PRESSURES TO STIMULATE ECONOMY, FEARING IMMEDIATE EFFECT ON BALANCE OF PAYMENTS. IN THE ABSENCE OF PUBLIC PROTEST, POLICY MAKERS ARE MORE INCLINED TO AVOID REFLATION.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03     PRETOR 03630 04 OF 04 231151Z

18. FUNDAMENTAL PROBLEM IS THE DRYING UP OF MEDIUM AND LONG-TERM INTERNATIONAL LOANS SINCE THE INTERNAL DISTURBANCES OF 1976. FINANCE MINISTER HORWOOD RECENTLY RETURNED FROM A SWING THROUGH EUROPE AND, WHILE HE AVOIDED SAYING SO, IMPRESSION IS THE HE RECEIVED LITTLE ENCOURAGEMENT FROM EUROPEAN BANKERS. ACCORDING TO ONE REPORT, HE HAD PLANNED TO VISIT US BUT WAS DISSUADED BY US BANKING CONTACTS BECAUSE RESULTS

WERE SURE TO BE NEGATIVE. A HIGH OFFICIAL OF THE SA RESERVE BANK COMPLAINED TO US THAT, FROM AN ECONOMIC POINT OF VIEW, THERE IS NO LONGER REASON TO QUESTION SOUTH AFRICA'S CREDITWORTHINESS. IT WAS STRICTLY THE POLITICAL FACTOR THAT WAS CAUSING THE "SHEEPLIKE" FOREIGN BANKERS TO WITHHOLD CAPITAL.

19. FOR THE MOMENT THE SAG SEEMS TO HAVE OPTED TO RUN THE RISK OF RECESSION-INDUCED SOCIAL UNREST BECAUSE THERE IS NO PUBLIC PROTEST AND ITS WEAK INTERNATIONAL PAYMENTS POSITION LEAVES IT LITTLE ALTERNATIVE. NEVERTHELESS, IT REMAINS APPREHENSIVE ABOUT THE ECONOMY. ADDING TO ITS NERVOUSNESS IS THE FEAR OF MEANINGFUL ECONOMIC SANCTIONS BY WESTERN COUNTRIES, ESPECIALLY THE US. WITH LITTLE TANGIBLE EVIDENCE, THE GOVERNMENT SEEMS TO FEEL THAT THE SQUEEZE IS STARTING TO BE APPLIED. THE US POLICY REASSESSMENT ON NUCLEAR COOPERATION, BROADENED APPLICATION OF THE ARMS EMBARGO, TIGHTER SCREENING OF COMPUTER EXPORTS, THE JUSTICE DEPARTMENT SUIT AGAINST SOUTH AFRICAN SUGAR LOBBY, AND EEC DECISION TO DEVELOP A COORDINATED LABOR POLICY FOR SUB-SIDIARIES IN SOUTH AFRICA ARE SOME OF THE INDICATORS CITED.

20. TO SUM UP, AT THIS JUNCTURE THE DEGREE OF PRESSURE BEING EXERTED BY THE BLACKS, BY THE DEPRESSED ECONOMY  
CONFIDENTIAL

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PAGE 04     PRETOR 03630 04 OF 04 231151Z

AND BY THE INTERNATIONAL COMMUNITY IS NOT A PERSUASIVE ARGUMENT TO VORSTER AND THE NATIONAL PARTY HIGH COMMAND THAT A MAJOR RE-THINKING OF POLICY IS REQUIRED. THE TREND IS TO RETREAT INTO THE LAAGER AND WAIT IT OUT, RAISING THE QUESTION OF WHETHER SOUTH AFRICA IS GOING TO FOLLOW THE PATH OF RHODESIA.  
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**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
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**Executive Order:** GS  
**Errors:** N/A  
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**From:** PRETORIA  
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**Reference:** 77 PRETORIA 3613  
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**Review Content Flags:**  
**Review Date:** 01-Dec-2004 12:00:00 am  
**Review Event:**  
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**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009